

'One of the best opportunities around': Why investors are heading back to Melbourne

3 March 2026

Victorian taxes have deterred many investors over the last two years, but they've started heading back to Melbourne - and they'd be wise to do so, experts say.

Property investing in Melbourne presents a conundrum right now. On one hand, high taxes are a turn-off, but relatively subdued prices and thin competition are enticing.

And herein lies an exciting opportunity, experts say.

In recent years, Victoria has hammered investors to boost affordability and clear Covid debt — doubling the absentee owner surcharge to 4% (the nation's steepest), slashing land tax thresholds to pull in more payers, and levying some of Australia's highest stamp duties.

It's also mandated rental upgrades when it comes to energy efficiency, insulation and heating/cooling, which can add \$10k-\$30k per property in compliance costs, further squeezing investor yields.

"All property owners in Victoria, whether they're owner-occupiers or investors, pay higher taxes than in any other state, and investors pay higher taxes than owner occupiers," said senior realestate.com.au economist Anne Flaherty. "There's a lot more disincentives for buying in Victoria."



Melbourne's property market has underperformed every other capital city over the past five years, but investors are starting to see opportunity. Picture: Getty

The impact on Victoria's property market has been profound. Melbourne has underperformed every other capital city over the past five years and tumbled down the rankings from the second most expensive property market to sixth - ahead of only Hobart and Darwin. Regional Victoria has also underperformed the other states.

"Over the past five years, there has been very little capital growth in Melbourne, where property values are up about 12.7%. Most of the other capitals have nearly doubled in value over that time."

Property investment expert and Director of OpenCorp Cam McLellan said the Melbourne property market still has a confidence problem, with many investors spooked by tax headlines.

"Melbourne investors are still a little shy; sentiment has been held back by media hype about taxes."

"But in reality, you may pay an extra \$2,000 per year in Victoria compared to other states, but that's minimal next to growth opportunities coming in Melbourne."

Investors returning to Melbourne

Home prices in Melbourne are creeping skyward again, having risen 3.4% over the year to February, to a median of \$854,000, according to the latest [PropTrack Home Price Index](#).

This compares to a median of \$1.26m in Sydney (up 6.1%), \$1.05m in Brisbane (up 15.9%), \$987,000 in Perth (up 19.5%), \$929,000 in Adelaide (up 14.8%), \$874,000 in Canberra (up 4.4%), \$718,000 in Hobart (up 9.2%), \$598,000 in Darwin (up 16.2%)

Home price growth by GCCSA for units

Region	Monthly growth (%)	Annual growth (%)	Median value (\$)
National	0.7%	8.9%	\$730,000
Capital Cities	0.7%	8.4%	\$751,000
Regional Areas	0.7%	10.9%	\$646,000
Sydney	0.7%	5.9%	\$888,000
Rest of NSW	0.5%	6.0%	\$661,000
Melbourne	0.5%	3.3%	\$625,000
Rest of Vic.	0.4%	7.5%	\$446,000
Brisbane	0.9%	20.3%	\$831,000
Rest of Qld	1.0%	14.9%	\$798,000
Adelaide	0.8%	15.2%	\$692,000
Rest of SA	0.4%	15.0%	\$459,000
Perth	0.6%	22.3%	\$690,000
Rest of WA	0.0%	10.8%	\$465,000
Hobart	0.3%	5.2%	\$592,000
Rest of Tas.	0.3%	8.5%	\$472,000
Darwin	0.7%	15.5%	\$456,000
Rest of NT	0.1%	4.1%	\$319,000
ACT	0.3%	-0.1%	\$599,000

Source: PropTrack · Regions shown are defined by ABS' GCCSA standards.

And investors are returning. From 2024 to 2025, new investor loans in Victoria jumped 21%.

"We've actually seen residential investor demand come back," said Ms Flaherty. "Melbourne's now the cheapest capital city behind Hobart and Darwin. So a lot of investors are thinking, 'Yes, the tax disincentives are real, but Melbourne's never been cheaper than Adelaide or Perth or Brisbane. This is strange'."

There are other positive indicators for investors. Victoria's building approvals and housing starts have plunged sharply, with developers also spooked by taxes.

This is creating a worsening housing shortage in Australia's second-largest economy — which also has the nation's highest population growth forecasts.

Government data projects Melbourne's population rising by 1.5% each year over the next decade, beating Brisbane (1.4%), Sydney (1.3%), Darwin (1.3%), Adelaide (0.8%) and Hobart (0.5%). Only Perth edges it at 1.6%.

"With development stalled by taxes, that's going to create a dire shortage of housing over the long term," said Ms Flaherty.



REA Group senior economist Anne Flaherty.

"So while investors may see Melbourne as an underperforming market in recent years, these strong fundamentals point to a strong chance of growth over the coming decade."

Mr McLellan said the lack of supply will significantly boost property prices.

"Once supply dries up, buyers pay more and rents start to increase, and when those things happen, investors come flooding back."

Melbourne buyers agent Jarrod McCabe at Wakelin Property Advisory said he saw interstate and local investor activity surge through 2025.

He said new investors were coming in eyes-wide-open on taxes — unlike those who fled when the tax rules changed.

"They're factoring in costs and picking smart properties. It's definitely a good time. Long term, investors will certainly see the benefits of acting when a lot of others aren't."

While Ms Flaherty said she doesn't expect a price correction to happen quickly, Mr McLellan, who has just bought an investment property in Melbourne, expects this to happen within the next three years.

"We're getting a large amount of investors coming from Sydney and other capital cities. I see Melbourne as one of the best opportunities around."

Investors active around the country

Investor loan growth surged across Australia from 2024 to 2025, with Victoria outpacing most states and territories — only NT and Tasmania saw a higher increase in investor loans.

NSW saw a 14% rise, Queensland 8% and South Australia 7%. Investor activity held steady in WA at 0%, while the ACT was the only jurisdiction where the number of new investor loans declined, by 16%.



Darwin has emerged as an investor hotspot over the past 12 months. Picture: Getty

Ms Flaherty said Darwin has emerged as an investor hotspot over the past year.

"The cost of investing has increased so dramatically around the country, whereas the entry price point to invest in Darwin is substantially lower than the other capitals, there's a very low vacancy rate of 1.8% plus solid rental growth so yields there are quite attractive."

Hobart mirrors Darwin's appeal, she added.

"Hobart has the lowest vacancy rate of any capital city at 0.7% so the prospects for rent growth are very high, which means high yield for investors.

"Adelaide and Brisbane have been strong performers too — strong price growth, low vacancies, and rent growth fuelling interest. Perth has been a hot investor market for quite some time, and we're seeing investor activity staying stable there."



Hobart's property market has been staging a quiet turnaround, with [annual price growth cracking the 10% mark](#) for the first time since August 2022. Picture: Getty

Mr McLellan agreed Perth and Brisbane still "have legs in their growth cycle", though he warns Hobart, Adelaide and Darwin — and regional cities — generally lack the required population growth forecasts and supply constraints to keep pushing prices up.

Ms Flaherty said interest in the regions has largely faded in the last five years.

"Capital cities are perceived as lower risk than regional areas and generally generate higher capital growth, though some regional markets still stand out as investor hotspots — Townsville comes to mind — because they have more affordable entry prices and strong rental demand.

"Any regional area that has a strong and diverse local economy is the kind of place investors will consider buying in."

Mr McLellan advises investors to stick to the big four capital cities of Sydney, Melbourne, Perth and Brisbane, which he describes as "safe bets".

"But for those wanting larger amounts of growth over a slightly longer timeframe of three to five years, Melbourne's the way to go."

Source: https://www.realestate.com.au/news/one-of-the-best-opportunities-around-why-investors-are-heading-back-to-melbourne/?sourcePage=rea:news:post&sourceElement=traffic_driver_4|slot_1